GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:988
ANSWERED ON:19.07.2002
TAX EVASION IN VIEW OF MAURITIUS TREATY
CHANDRA NATH SINGH;SADASHIVRAO DADOBA MANDLIK

Will the Minister of FINANCE be pleased to state:

(a) whether attention of the Government has been drawn towards the news-item captioned `Mauritius Sandhi KiAad Mein Hazaron Crore Ayakar Dakara Videshi Niveshkon Ne` appearing in Rashtriya Sahara dated 15th June, 2002;

(b) if so, the facts in this case; and

(c) the steps being taken by the Government thereon ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N RAMACHANDRAN)
(a) & (b): Yes, Sir. A Convention to avoid double taxation between India and Mauritius was signed in December, 1983. This Convention provides for taxation of dividends and capital gains in the country of residence of the investor. In March, 2000, Assessing Officers in Mumbai denied thetax benefits to a few Foreign Institutional Investors registered in Mauritius. To clear up any misunderstanding in the application of the provisions of the tax treaty between two countries, a circular was issued by CBDT on 13.04.2000 clarifying that the benefits of the treaty should be allowed to a resident of Mauritius where Mauritius Government has issued a certificate of residence. This circular, the legality of which was challenged in three Public Interest Litigations before Hon`ble Delhi High Court, has since been quashed in the judgement delivered on 31st May, 2002.
(c) Further action in the matter will be taken after obtaining legal opinion in the matter.